

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE REALIGNMENT OF THE
DEFENSE DISTRIBUTION DEPOT COLUMBUS, OHIO**

Report No. 96-199

July 25, 1996

Department of Defense

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit of the Analysis, Planning, and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch of the Analysis, Planning, and Technical Support Directorate at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: APTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

BRAC
DDCO
MILCON

Base Realignment and Closure
Defense Distribution Depot Columbus, Ohio
Military Construction



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884



July 25, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Distribution Depot Columbus, Ohio (Report No. 96-199)

We are providing this audit report for information and use. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. Management comments on a draft of this report were considered in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Garold E. Stephenson, Audit Program Director, at (703) 604-9332 (DSN 664-9332) or Mr. Eugene E. Kissner, Audit Project Manager, at (703) 604-9323 (DSN 664-9323). See Appendix F for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-199

(Project No. 6CG-5001.31)

July 25, 1996

Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Distribution Depot Columbus, Ohio

Executive Summary

Introduction. This report is one in a series about FY 1997 Defense base realignment and closure military construction costs. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with Defense base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Office of the Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. Our audits address all projects valued at more than \$1 million.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of the project, valued at \$3.3 million, to convert warehouses 41 and 42 to inactive war reserve bulk warehouses for the realignment of the Defense Distribution Depot Columbus, Ohio, as a storage site for inactive and war reserve material.

Audit Results. The Defense Logistics Agency underestimated the work needed for the renovations to two warehouses at the Defense Distribution Depot Columbus, Ohio, for the storage of inactive and war reserve material. Consequently, the Defense Logistics Agency needs an additional \$401,000 for the renovations, and the project may be delayed until the Defense Logistics Agency obtains additional funds or reduces the scope of the project. Also, we could not validate the \$3 million estimated costs for the associated requirements of removing material handling equipment and installing racks in the warehouses. See Part I for a discussion of the finding and Appendix D for a summary of invalid or partially invalid requirements for the project we reviewed.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place the project on administrative withhold until the Defense Logistics Agency submits a revised DD Form 1391, "FY 1997 Military Construction Project Data," that accurately reflects renovation requirements and estimated costs. We also recommend that the Defense Logistics Agency submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," that reflects estimated costs, based on current facilities cost data, for renovations and associated requirements that were identified through examination of the warehouses.

Management Comments. The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and will place the funds associated with the project on administrative withhold if the cost issue is not resolved by October 1, 1996. The Defense Logistics Agency concurred with the recommendation to submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," for the project. See Part I for a discussion of the management comments and Part III for the complete text of the management comments.

Table of Contents

Executive Summary	i
Part I - Audit Results	
Audit Background	2
Audit Objectives	2
Renovation of Warehouses 41 and 42	3
Part II - Additional Information	
Appendix A. Scope and Methodology	8
Appendix B. Summary of Prior Audits and Other Reviews	9
Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs	13
Appendix D. Projects Identified as Invalid or Partially Valid	15
Appendix E. Organizations Visited or Contacted	16
Appendix F. Report Distribution	17
Part III - Management Comments	
Under Secretary of Defense (Comptroller) Comments	20
Defense Logistics Agency Comments	21

Part I - Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing various audits of the Defense base realignment and closure (BRAC) process. This report is one in a series of reports about BRAC military construction (MILCON) costs. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix C. See Appendix D for a summary of invalid and partially valid requirements for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective.

This report provides the results of the audit of Defense Logistics Agency project DDRE [Defense Distribution Region East] BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," valued at \$3.3 million, resulting from the realignment of the Defense Distribution Depot Columbus, Ohio (DDCO). DDCO will become a storage site for inactive and war reserve material. See Appendix A for a discussion of the scope and methodology and Appendix B for a summary of prior coverage related to the audit objectives. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Renovation of Warehouses 41 and 42

The Defense Logistics Agency underestimated the work needed for the renovations to two warehouses at the Defense Distribution Depot Columbus, Ohio, for the storage of inactive and war reserve material. Additionally, we could not validate the estimated costs for the associated requirements of removing material handling equipment and installing racks. The underestimate occurred because Defense Logistics Agency engineers calculated the estimated costs without examining the warehouses and used outdated unit cost information. We could not validate the estimated costs for the associated requirements because the Defense Logistics Agency engineers did not finalize the requirements. As a result, the Defense Logistics Agency needs an additional \$401,000 of BRAC MILCON funds for the renovations to the warehouses, and the project may be delayed until the Defense Logistics Agency obtains additional funds or reduces the scope of the project. Additionally, the estimated costs of \$3 million for associated requirements will likely change.

Proposed Warehouse Renovations

The Defense Logistics Agency proposed project DDRE BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," to renovate warehouses 41 and 42 at the Defense Distribution Depot Columbus, Ohio (DDCO), for the storage of inactive and war reserve material. The 1995 Commission on Defense Base Closure and Realignment, in its report to the President, recommended realigning DDCO to store inactive and war reserve material instead of active stock material. The renovation of warehouses 41 and 42 will accommodate the storage of inactive and war reserve material and will offset 5 million cubic feet of the 13-million-cubic-foot shortfall of storage space that the Defense Logistics Agency projected for FY 2001. When determining its projected space requirements, the Defense Logistics Agency considered space lost from closing distribution depots and space gained from declining DoD supply activity and disposal of obsolete material. The DD Form 1391, "FY 1997 Military Construction Project Data," showed \$257,000 for construction costs, to which the Defense Logistics Agency later added \$30,000 for design costs. The DD Form 1391 also showed \$3 million for the associated requirements of removing material handling equipment and installing racks in the two warehouses.

Estimated Construction Costs

The Defense Logistics Agency underestimated the work needed for the renovations to two warehouses at the Defense Distribution Depot Columbus, Ohio. Defense Logistics Agency engineers from the Defense Distribution Region East, New Cumberland, Pennsylvania, did not examine the two warehouses at DDCO to identify the renovation work needed before they prepared the DD Form 1391. The engineers stated that they did not have time to visit DDCO and examine the warehouses before they calculated the estimated costs because management officials at the Defense Distribution Region East determined that other projects had higher priority. The engineers reviewed drawings of the warehouses and relied on their memory of earlier visits to DDCO to develop the estimate for the renovation costs. The engineers estimated that the Defense Logistics Agency would need \$257,000 to renovate the two warehouses, to which the Defense Logistics Agency later added \$30,000 for design costs.

Inspection of the Warehouses to Identify Required Renovations. On February 27, 1996, we accompanied the Defense Logistics Agency engineers to examine warehouses 41 and 42 at DDCO. Based on the inspection of the warehouses, we and the engineers agreed that the estimated costs to renovate the warehouses should increase from \$287,000 to \$424,000. However, the estimated construction costs of \$424,000 are also understated because the engineers used outdated unit cost data to calculate the estimates. The engineers also identified needed changes to the renovation plans that will affect the estimated costs of \$3 million for associated requirements.

Unit Cost Data Used to Calculate Estimated MILCON Costs. The Defense Logistics Agency engineers used the 1991 edition of the "Means Facilities Cost Data," adjusted 2 percent per year for inflation, to estimate unit costs of \$424,000 for the MILCON portion of the project. We recalculated the costs using 1993 facilities cost data (the latest edition available to us during the audit period) and a 2-percent annual escalation for inflation and calculated estimated costs of \$688,000 for MILCON. The major difference between our estimated costs and the engineers' estimated costs was the unit cost for high pressure sodium lighting fixtures. We calculated a cost of \$1,000 per light fixture. The engineers calculated a unit cost of \$500. The engineers agreed that the \$500 was an unrealistic figure. As a result, the Defense Logistics Agency understated the construction costs by about \$401,000, and the project may be delayed until the Defense Logistics Agency obtains additional funds or reduces the scope of the project.

Estimated Costs for Associated Requirements

The Defense Logistics Agency engineers did not examine the warehouses before estimating costs of about \$3 million for the associated requirements of removing various material handling equipment and installing racks in the two warehouses.

To calculate the \$3 million of estimated costs, the engineers used drawings of the warehouses, their memory of previous visits to DDCO, and their prior experience in fitting out new and renovated warehouses. We could not validate the estimate because the Defense Logistics Agency engineers did not finalize the requirements. The Defense Logistics Agency engineers were making changes to the requirements while they were examining the warehouses during the audit.

In February 1996, the Defense Logistics Agency made available \$287,000 of its BRAC MILCON funds for the renovation of the two warehouses at DDCO. Because the \$287,000 is about \$401,000 less than the amount needed for the renovations, the Defense Logistics Agency must obtain additional funds or reduce the scope of the project. Additionally, the estimated costs of \$3 million for associated requirements are likely to change.

The Defense Logistics Agency should submit a revised DD Form 1391 for project DDRE BRAC 95.3 that includes the estimated costs for construction and associated requirements for the renovation of warehouses 41 and 42 that the Defense Logistics Agency engineers identified through examination of the warehouses. The estimated costs should be based on current facilities cost data. Because of the inaccurate estimated costs for the project, the Under Secretary of Defense (Comptroller) should place the project on administrative withhold until the Defense Logistics Agency submits a revised DD Form 1391 that reflects accurate renovation requirements and cost estimates.

Interim Storage Space Available

The Defense Logistics Agency stated in documents supporting the project that no space, other than warehouses 41 and 42, was either adequate or available at DDCO or nearby installations for storing inactive and war reserve material. In the DD Form 1391 for the project, the Defense Logistics Agency stated, "If this project is not provided, the proposed relocation of war reserve materials from various depots will not happen, frustrating those facilities from liberating dead space for storage of more active stocks."

The relocation of inactive and war reserve material to DDCO can start before the renovation starts for warehouses 41 and 42. In December 1995, DDCO had about 10 million cubic feet of vacant warehouse space. The vacant space could be used to store inactive and war reserve material received from other depots until the additional storage space is renovated. The amount of immediately available storage space has probably increased since December 1995 because shipments of active stock material from DDCO to other distribution depots were to begin in March 1996.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense (Comptroller) place project DDRE BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," on administrative withhold until the Defense Logistics Agency submits a revised DD Form 1391, "FY 1997 Military Construction Project Data," that accurately reflects renovation requirements and estimated costs.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) concurred and will place the funds associated with these requirements on administrative withhold if the issue is not resolved by October 1, 1996. Further, the Under Secretary will reprogram funds as appropriate to ensure program execution.

2. We recommend that the Director, Defense Logistics Agency, submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," for project DDRE BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," that reflects estimated costs for construction and associated requirements for the renovation of warehouses 41 and 42 that were identified through examination of the warehouses. The estimated costs should be calculated using current facilities cost data for the identified renovations.

Defense Logistics Agency Comments. The Defense Logistics Agency concurred and stated that it will develop a new DD Form 1391, "Military Construction Project Data," for project DDRE BRAC 95.3, by July 30, 1996.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request, economic analysis, and supporting documentation for space requirements for one realignment project regarding the realignment of the Defense Distribution Depot Columbus, Ohio (DDCO), as a storage point for inactive and war reserve material. Project DDRE BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," is estimated to cost \$3.3 million.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from February through April 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix E lists the organizations visited or contacted during the audit.

Appendix B. Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This appendix lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-191	Defense Base Realignment and Closure Budget Data for the Relocation of the Carrier Air Wings From Naval Air Station Miramar, California, to Naval Air Station Lemoore, California	July 3, 1996
96-171	Defense Base Realignment and Closure Budget Data for Realigning the Office of the Judge Advocate General and the Naval Facilities Engineering Command to the Washington Navy Yard	June 21, 1996
96-170	Defense Base Realignment and Closure Budget Data for the Realignment of Five Navy Activities From Leased Space in Arlington, Virginia, to the Naval Security Station, Washington, D.C.	June 19, 1996
96-166	Defense Base Realignment and Closure Budget Data for the Closure of Lowry Air Force Base, Colorado, and Realignment to Sheppard Air Force Base, Texas	June 18, 1996
96-165	Defense Base Realignment and Closure Budget Data for the Construction of the Hazardous Material Storage Addition to Warehouse 28 at Defense Distribution Region West Tracy, California	June 17, 1996
96-158	Defense Base Realignment and Closure Budget Data for the Redirect of the 726th Air Control Squadron From Shaw Air Force Base, South Carolina, to Mountain Home Air Force Base, Idaho	June 11, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-154	Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center to Wright-Patterson Air Force Base, Ohio	June 10, 1996
96-147	Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center Orlando, Florida, and Realignment of Maintenance and Storage Facilities to Taft U.S. Army Reserve Center, Orlando, Florida	June 6, 1996
96-144	Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana	June 6, 1996
96-142	Defense Base Realignment and Closure Budget Data for the Closure of Bergstrom Air Reserve Base, Texas, and Realignment of the 10th Air Force Headquarters to Naval Air Station Fort Worth, Joint Reserve Base, Texas	June 5, 1996
96-139	Defense Base Realignment and Closure Budget Data for the Closure of Griffiss Air Force Base and Realignment of Rome Laboratory and Northeast Air Defense Sector, Rome, New York	June 3, 1996
96-137	Defense Base Realignment and Closure Budget Data for the Realignment of March Air Force Base, Riverside, California	May 31, 1996
96-136	Defense Base Realignment and Closure Budget Data for the Closure of Gentile Air Force Station, Dayton, Ohio, and Realignment of Defense Logistics Agency Components to Wright-Patterson Air Force Base, Ohio	May 31, 1996
96-135	Defense Base Realignment and Closure Budget Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California	May 30, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-131	Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard	May 28, 1996
96-128	Defense Base Realignment and Closure Budget Data for the Naval Training Center Great Lakes, Illinois	May 24, 1996
96-127	Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignments to Stewart Air National Guard Base, New York	May 23, 1996
96-126	Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, Ohio	May 21, 1996
96-122	Defense Base Realignment and Closure Budget Data for the Realignment of the Air Education and Training Command at Vandenberg Air Force Base, California	May 17, 1996
96-119	Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin	May 14, 1996
96-118	Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina	May 13, 1996
96-116	Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah	May 10, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996
96-110	Defense Base Realignment and Closure Budget Data for the Realignment of the 301st Rescue Squadron, Air Force Reserve, From Homestead Air Force Base, Florida, to Patrick Air Force Base, Florida	May 7, 1996
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Appendix D. Projects Identified as Invalid or Partially Valid

Table D-1. Causes of Invalid or Partially Valid Projects

<u>Project Location</u>	<u>Project Number</u>	<u>Causes of Invalid Projects</u>		<u>Causes of Partially Valid Projects</u>	
		<u>Overstated</u>	<u>Unsupported</u>	<u>Overstated</u>	<u>Unsupported</u>
Defense Distribution Depot Columbus	DDRE BRAC 95.3				X

Table D-2. Recommended Changes in Project Estimates

<u>Project Location</u>	<u>Project Number</u>	<u>Amount of Estimate on DD Form 1391 (thousands)</u>	<u>Recommended Amount of Change</u>	
			<u>Invalid Projects (thousands)</u>	<u>Partially Valid Projects (thousands)</u>
Defense Distribution Depot Columbus	DDRE BRAC 95.3	<u>\$3,306</u>		\$ 287 ¹ <u>3,019²</u>
Total		\$3,306		\$3,306
Total Partially Valid Projects			\$3,306	

¹MILCON costs understated.

²Associated costs not evaluated.

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC

Other Defense Organizations

Defense Logistics Agency, Fort Belvoir, VA

Defense Distribution Region East, New Cumberland, PA

Defense Distribution Depot Columbus, OH

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Commander, Defense Distribution Region East
Commander, Defense Distribution Depot Columbus
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional
committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER
(Program/Budget)

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



June 11, 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Report on Defense Base Realignment and Closure Budget Data
for the Realignment of the Defense Distribution Depot Columbus, Ohio
(Project No. 6CG-5001.31)

This responds to your May 21, 1996, memorandum requesting our comments on the subject report.

The audit states that the estimate for project DDRE BRAC 95.3, "Convert Warehouses 41/42 to inactive War Reserve Bulk Warehouses" is not accurate. This occurred because the Defense Logistics Agency (DLA) understated the cost of the conversion effort and could not validate the cost associated with removing material handling equipment and installing racks in the warehouses.

This audit recommends that the USD(Comptroller) place the funds for the project on administrative withhold until DLA submits a revised DD 1391 forms that accurately reflect the requirements and costs for the project.

The funding for the requirement at issue is included in the fiscal year 1997 Base Realignment and Closure (BRAC) budget request. The warehouse conversion and equipment purchases are currently budgeted in the Operation and Maintenance (O&M) BRAC subaccount as appropriate within established O&M thresholds. We generally agree with the audit findings that the cost estimate is not accurate and should be revised. As a consequence, we will place the funds associated with these requirements on administrative withhold if the issue is not resolved by the start of the fiscal year. Also, we will reprogram funds as appropriate to ensure program execution.


B. R. Paseur
Director for Construction

Defense Logistics Agency Comments



REPLY
REFER TO

DDAI

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2532
FT BELVOIR, VIRGINIA 22060 6221

JUL 01 1996

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: DoDIG Draft Report on Defense Base Realignment and Closure Budget Data for the
Realignment of Defense Distribution Depot Columbus, Ohio (Project No.
6CG-5001.31)

This is in response to subject draft report dated May 21, 1996. If you have any questions,
please contact Emilia Snider at (703) 767-6268.


JACQUELINE G. BRYANT
Chief, Internal Review Office

Encl

SUBJECT: DoDIG Draft Report on Defense Base Realignment and Closure Budget Data for the
Realignment of Defense Distribution Depot Columbus, Ohio
(Project No. 6CG-5001.31)

FINDING: The Defense Logistics Agency underestimated the work needed for the renovations to two warehouses at the Defense Distribution Depot Columbus, Ohio, for the storage of inactive and war reserve material. Additionally, we could not validate the estimated costs for the associated requirements of removing material handling equipment and installing racks. The underestimate occurred because Defense Logistics Agency engineers calculated the estimated costs without examining the warehouses and used outdated unit cost information. We could not validate the estimated costs for the associated requirements because the Defense Logistics Agency engineers did not finalize the requirements. As a result, the Defense Logistics Agency needs an additional \$401,000 of BRAC MILCON funds for the renovations to the warehouses, and the project may be delayed until the Defense Logistics Agency obtains additional funds or reduces the scope of the project. Additionally, the estimated costs of \$3 million for associated requirements will likely change.

DLA COMMENTS:

Partially concur. While it is true that engineers from the Defense Distribution Region East staff did not examine the site, the on-scene engineering staff performed these examinations and prepared the necessary estimates. DDRE did not consider it cost effective to send region staff to the site when existing capability was thought sufficient.

DISPOSITION:

() Action is ongoing. Estimated completion date:
(X) Action is considered complete.

ACTION OFFICER: Thomas Karst, MMBIP, (703)767-3554, June 24, 1996

REVIEW: Colonel R.L. Freeman, MMBI, (703)767-3549, June 24, 1996

APPROVAL: Frederick N. Baillie, MMB, June 28, 1996

COORDINATION: *O. Calhoun DDAZ 28 JUN 96*

DLA APPROVAL:

[Signature]

RECOMMENDATION 2: We recommend that the Director, Defense Logistics Agency submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," for project DDRE BRAC 95.3, "Convert Warehouse 41/42 to Inactive War Reserve Bulk Warehouses," that reflects estimated costs for construction and associated requirements for the renovation of warehouses 41 and 42 that were identified through examination of the warehouses. The estimated costs should be calculated using current facilities cost data for the identified renovations.

DLA COMMENTS:

Concur. Although the proper escalation of unit costs from previous editions of recognized estimating publications is an appropriate methodology, the results will probably vary from current estimating guides. A new DD Form 1391 is being developed to reflect these changes.

DISPOSITION:

- (X) Action is ongoing. Estimated Completion Date: July 30, 1996
() Action is considered complete.

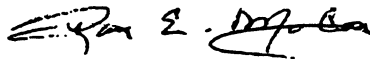
ACTION OFFICER: Thomas Karst, MMBIP, (703)767-3554, June 24, 1996

REVIEW: Colonel R.L. Freeman, MMBI, (703)767-3549, June 24, 1996

APPROVAL: Frederick N. Baillie, MMB, June 28, 1996

COORDINATION: *O. Culver DDAI 28 JUN-96*

DLA APPROVAL:



Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto
Garold E. Stephenson
Eugene E. Kissner
COL David C. Frazier, USAR
Tyler C. Apffel
Janice S. Alston